

## **BEFORE THE DIVISION OF INSURANCE**

### **STATE OF COLORADO**

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#### **FINAL AGENCY ORDER O-04-081**

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#### **IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF CENTRAL STATES HEALTH AND LIFE CO. OF OMAHA,**

##### **Respondent**

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**THIS MATTER** comes before the Colorado Commissioner of Insurance (the "Commissioner") as a result of a market conduct examination conducted by the Colorado Division of Insurance (the "Division") of Central States Health and Life Co. of Omaha (the "Respondent"), pursuant to §§ 10-1-201 to 207, C.R.S. The Commissioner has considered and reviewed the market conduct examination report dated July 9, 2003 (the "Report"), relevant examiner work papers, all written submissions and rebuttals, and the recommendations of staff. The Commissioner finds and orders as follows:

##### **FINDINGS OF FACT**

1. At all relevant times, the Respondent was licensed by the Division as a credit life and health insurance company.
2. In accordance with §§ 10-1-201 to 207, C.R.S., on July 9, 2003, the Division completed a market conduct examination of the Respondent. The period of examination was January 1, 2002 to December 31, 2002.
3. In scheduling the market conduct examination and in determining its nature and scope, the Commissioner considered such matters as the results of financial statement analyses and ratios, changes in management or ownership, actuarial opinions, reports of independent certified public accountants, complaint analyses, underwriting and claims practices, pricing, product solicitation, policy form compliance, market share analyses, and other criteria as set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners, as required by § 10-1-203(1), C.R.S.
4. In conducting the examination, the examiners observed those guidelines and procedures set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners and the Colorado insurance examiners handbook. The

Commissioner also employed other guidelines and procedures that he deemed appropriate, pursuant to § 10-1-204(1), C.R.S.

5. The market conduct examiners prepared a Report. The Report is comprised of only the facts appearing upon the books, records, or other documents of the Respondent, its agents or other persons examined, or as ascertained from the testimony of the Respondent's officers or agents or other persons examined concerning Respondent's affairs. The Report contains the conclusions and recommendations that the examiners find reasonably warranted based upon the facts.
6. Respondent delivered to the Division written submissions and rebuttals to the Report.
7. The Commissioner has fully considered and reviewed the Report, all of Respondent's submissions and rebuttals, and all relevant portions of the examiner's work papers.

#### **CONCLUSIONS OF LAW AND ORDER**

8. Unless expressly modified in this Final Agency Order ("Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the final Report. A copy of the final Report is attached to the Order and is incorporated by reference.
9. Issue J1 concerns the following violation: Failure to apply interest to death benefits. The Respondent shall ensure that payment of credit life claims includes the appropriate amount of interest as required by Colorado insurance law. Respondent shall further ensure that any unpaid interest is paid to the estates of deceased certificate holders.
10. Pursuant to § 10-1-205(3)(d), C.R.S, the Respondent shall pay a civil penalty to the Division in the amount of three thousand and five hundred and no/100 dollars (\$3,500.00). This fine represents a combined fine for the cited violations of Colorado law. This fine was calculated in accordance with Division guidelines for assessing penalties and fines, including Division bulletin no. 1-98, issued on January 1, 1998.
11. Pursuant to § 10-1-205(4)(a), C.R.S., within sixty (60) days of the date of this Order, the Respondent shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

12. Unless otherwise specified in this Order, all requirements with this Order shall be completed within thirty (30) days of the date of this Order. Respondent shall submit written evidence of compliance with all requirements to the Division within the thirty (30) day time frame, except where Respondent has already complied, as specifically noted in the Order. Copies of any rate and form filings shall be provided to the rate and forms section with evidence of the filings sent to the market conduct section. All audits shall be performed in accordance with Division guidelines. All audit reports must be received within ninety (90) days of the Order, with a summary of the findings, including all monetary payments to covered persons.
13. This Order shall not prevent the Division from commencing future agency action relating to conduct of the Respondent not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period. Failure by the Respondent to comply with the terms of this Order may result in additional actions, penalties and sanctions, as provided for by law.
14. Copies of the examination report, the Respondent's response, and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of § 10-1-205, C.R.S.

**WHEREFORE:** It is hereby ordered that the findings and conclusions contained in the final examination report dated July 9, 2003, are hereby adopted and filed and made an official record of this office, and the above Order is hereby approved this 27th day of October, 2003.



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Doug Dean  
Commissioner of Insurance

**CERTIFICATE OF MAILING**

I hereby certify that on the 27th day of October, 2003, I deposited the within  
**FINAL AGENCY ORDER NO. O-04-081 IN THE MATTER OF THE MARKET  
CONDUCT EXAMINATION OF CENTRAL STATES HEALTH AND LIFE CO.  
OF OMAHA**, in the United States Mail with postage affixed and addressed to:

Mr. Richard T. Kizer, President  
Central States Health and Life Co. of Omaha  
1212 North 96<sup>th</sup> Street  
Omaha, NE 68114

Carleen Gerjevic, Assistant Vice President  
Central States Health and Life Co. of Omaha  
1212 North 96<sup>th</sup> Street  
Omaha, NE 68114

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Dolores Arrington, MA  
Market Conduct Section  
Division of Insurance